



The President's Daily Brief

28 July 1970

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

Recent developments in Cambodia are discussed on *Page 1*.

The rift between Thieu and Ky is widening. (*Page 2*)

The Israeli trade deficit has risen and Tel Aviv will need substantial foreign help to avoid strong austerity. (*Page 3*)

Castro's 26 July speech stressed economic measures and reform suggesting more amenability to Soviet advice. (*Page 4*)

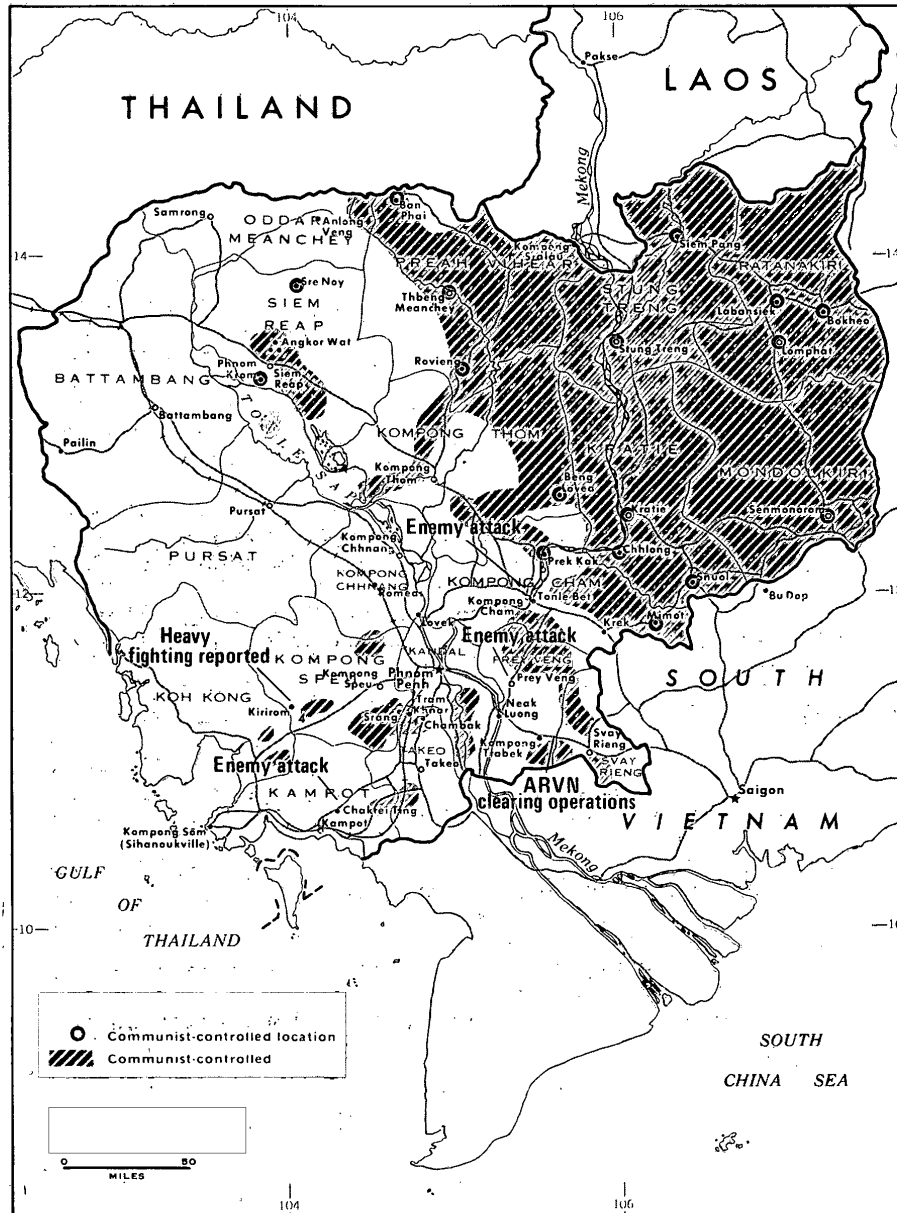
China's long-overdue National Peoples' Congress may be imminent. (*Page 5*)

Satellite photography reveals Soviet airstrip complex on South Yemeni island of Socotra. (*Page 6*)

Student problems in La Paz have stirred a political crisis and may result in violent demonstrations. (*Page 7*)

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Cambodia: Current Situation



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CAMBODIA

Enemy forces attacked and occupied the Chinese Communist - built cement factory in Kampot Province at Chakrei Ting, nine miles northeast of Kampot city on Route 3, on 27 July. The Communists also destroyed two bridges in the area.

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the Communists were becoming more active in Kampot Province, following the withdrawal of South Vietnamese troops.

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In the east, in Kompong Cham Province, the Communists attacked a textile factory near Kompong Cham city on 26 July. The factory, which was also a Chinese aid project, is being defended by 100 government troops.

The fighting at Kirirom in Kompong Speu Province has dragged into its third week. Communist troops strongly attacked a battalion of government forces in the center of the resort town yesterday. Late press reports claim that heavy ground fire has prevented helicopters from reaching the town and that close ground fighting has ruled out air strikes. Enemy units also continue to harass sections of Route 4 with sniping fire.

Meanwhile, in Prey Veng Province, a company-sized Communist unit attacked the capital on 26-27 July, but apparently withdrew under government counter-fire. Farther south, near the town of Kompong Trabek on Route 1, rangers from the South Vietnamese task force running clearing operations claim they killed 65 Communists and captured 19 on 26 July.

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SOUTH VIETNAM

The rift between Thieu and Ky is widening. In recent days, Ky has publicly charged that some cabinet members are involved in major illegal currency transactions. Ky has suggested that some of Thieu's advisers have been bribed to betray the President. Ky has condemned the whole national leadership as billionaires living a life of ease and incapable of providing the country with social justice.

This broadside is the latest in a series of aggressive statements which Ky began in early June after he realized that the President would not let him have the major role in managing operations in Cambodia. Ky has a reputation for tactless utterances during periods of disappointment and frustration, but he has not had the tenacity to sustain this kind of activity for very long. He may hope that his current attention-getting statements will aid him if he decides to be a candidate for president in 1971.

Until Ky's latest outburst, Thieu had not responded publicly, but this time the President publicly described the 1967 election with Ky as a "forced marriage," and in effect called Ky a liar. Thieu's sharp reaction suggests that Ky has found a soft spot.

Ky is also taking a "good riddance" line toward US aid. He has indicated that South Vietnam should welcome the removal of US troops, since this will free South Vietnam from political pressures originated by "stupid" US pacifists. Ky has been more outspoken than most South Vietnamese about his irritation over Saigon's dependence on the US. He may aim to appeal to anti-American sentiment which has been surfacing with increasing frequency in South Vietnam.

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ISRAEL

The Israeli trade deficit during the first six months of 1970 totaled \$338 million, compared with \$259 million in the same period of 1969. Imports rose much faster than anticipated, while exports fell short of Tel Aviv's goals. Mildly restrictive economic policies adopted several months ago have had no visible impact thus far on the deficit. In addition, bond sales and gifts--while up from last year--are lagging.

Even assuming that the trade imbalance is curtailed sharply in the second half of the year, Israel apparently will face a deficit of \$200-250 million not covered by currently available loans.

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With less than \$450 million in foreign exchange reserves, Tel Aviv will need substantial additional foreign financing if it is to avoid stringent austerity measures.

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CUBA

In his traditional 26 July speech, Castro indicated that government leaders who have been unable to cope with Cuba's complex economic problems will be replaced. He also said that there will be changes in the administration and the party. Castro enumerated the economic setbacks Cuba has suffered and said that it would be five years before improvements become evident. As a major innovation, he is forming a Bureau of Socialist Production to coordinate all economic activity and to develop realistic plans for the economy.

Although some personnel reshuffling will probably occur, Castro is unlikely to surrender a significant amount of his own power and presumably will continue to play the major role in deciding Cuba's economic path.

Moscow has in the past advised Castro to put his economic house in order. His preoccupation in this speech with economic matters and his stated willingness to adopt measures to improve Cuba's plight suggest that Castro now seems more amenable to Soviet advice.

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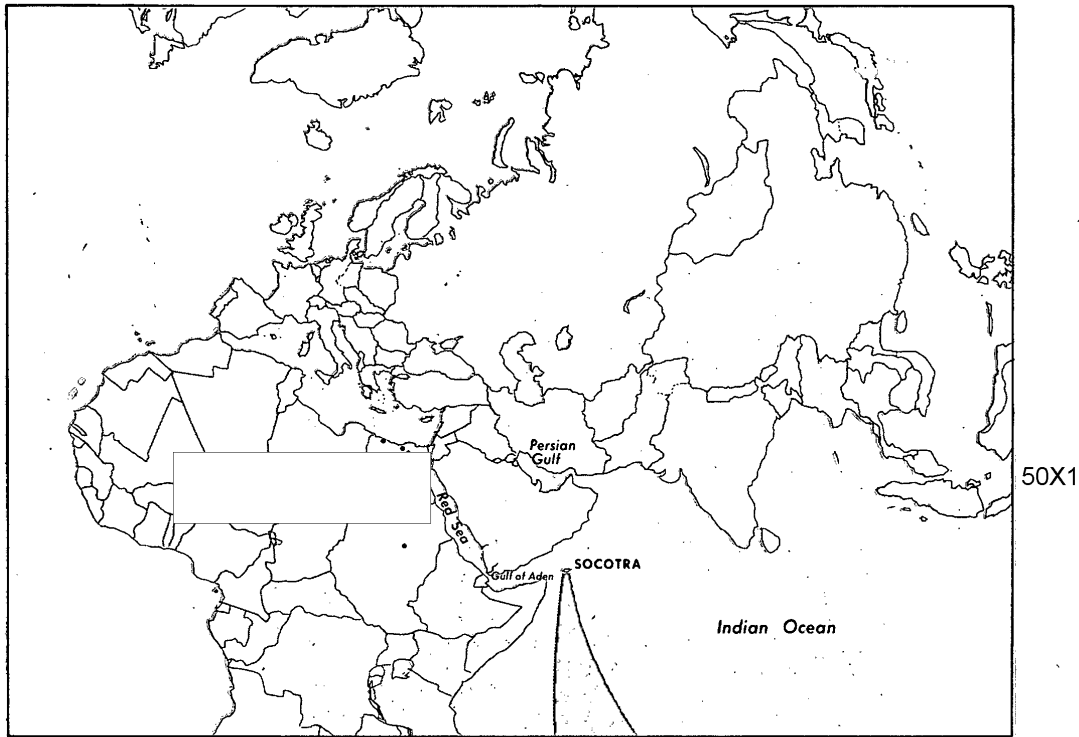
COMMUNIST CHINA

Travelers from China report that a Peking "directive" was broadcast in Canton on 23 July urging residents to prepare for the "imminent" opening of the long-delayed National Peoples' Congress.

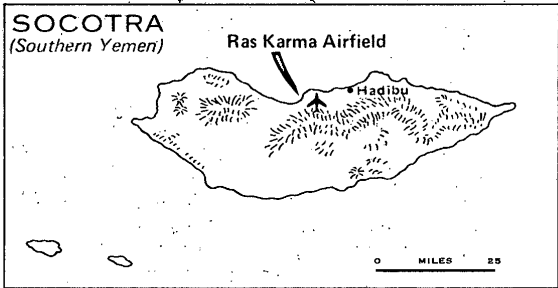
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The last National Peoples' Congress was held in 1965; it is the civil government's counterpart to the national party congress which met last year. When it convenes, it is expected to tie up important matters left over from the Cultural Revolution, including selection of a new chief of state to replace the ousted Liu Shao-chi and the formal restaffing of the various government ministries and bureaus.

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**Soviets Building Large Airstrip
Complex on Socotra Island**



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USSR - SOUTH YEMEN - EGYPT - SUDAN

Recent satellite photography has revealed a large Soviet airstrip complex on the South Yemeni island of Socotra off the south coast of the Arabian peninsula. The complex consists of three graded earth airstrips, the longest of which is almost 10,000 feet. Support facilities are rudimentary at this stage. When last covered in low-resolution photography in December 1969, the airfield on the island appeared to be abandoned.

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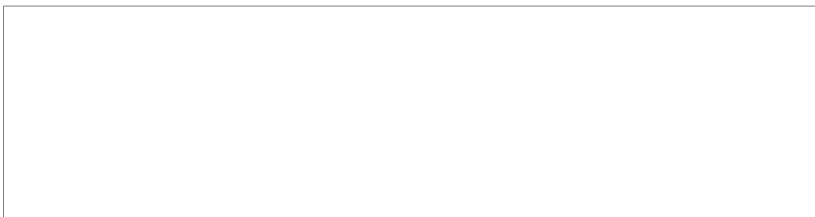
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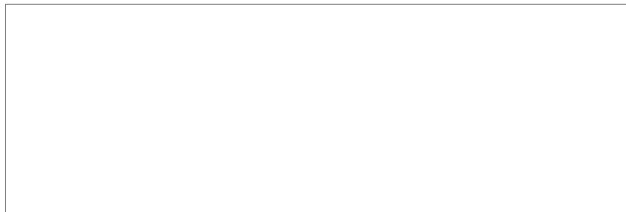
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BOLIVIA

Information Minister Bailey resigned yesterday, charging that the Ovando government is making a definitive break with the "revolutionary process." The resignation apparently is an outgrowth of a dispute within the government on the best course to follow in resolving the conflict between rightist and leftist student elements at the university.



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President Ovando appears to be involved in some effort to resolve the crisis through a compromise.



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NOTES

Peru-USSR: Moscow has resumed its airlift to Peru after a week's delay. Two AN-12s departed for Lima on 25 July, followed by two AN-22s the next day.

The total number of giant AN-22s used thus far--seven, including the one lost at sea--is three more than originally planned for the airlift. The additional AN-22s are probably being used to make up some of the time lost.

Arab States

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